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Colombia

Grain and Feed

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Report Highlights:

The requirement to obtain prior approval from the Ministry of Agriculture and demonstrate local purchases for feed grain and rice imports expired on January 1, 2004. The replacement system establishes tariff-rate quotas, with importers receiving lower in-quota duties based on domestic purchases. The out-of-quota duty is the Andean price band duty for yellow corn and grain sorghum (currently 8 percent) and 80 percent for rice. The tariff-rate quota for corn is 1.9 million tons and for paddy rice is 75,118 tons. Total corn imports are expected to reach 2.15 million tons (1.75 million tons from the U.S.) and wheat imports 1.24 million tons (750,000 tons from the U.S.) in the 2003/04 marketing year.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Table of Contents

| | |
|--|----------|
| Executive Summary | 3 |
| Production | 3 |
| Consumption | 4 |
| Trade | 4 |
| Stocks | 4 |
| Policy | 4 |
| Tables | 6 |
| Colombia wheat PSD, 2002/03 – 2004/05 (July-June)..... | 6 |
| Colombia: Wheat Imports 2002/03 (July-June) | 7 |
| Colombia: Wheat Prices to Grower, 2002 – 2003 | 8 |
| Colombia: Corn PSD, 2002/03 to 2004/05 (October-September) | 9 |
| Colombia: Corn Imports, 2002/03 (October-September) | 10 |
| Colombia: Rice Imports, 2003 (January-November) | 13 |
| Colombia: Rice Price to Millers, 2002-2003..... | 14 |

Executive Summary

Colombian imports of U.S. corn and wheat are expected to continue increasing due to higher demand and reduced import barriers. Corn imports from U.S. are expected to reach 1.75 million metric tons during the 2003/04 marketing year, and grow by 8 percent in the following year. Wheat imports from U.S. have gained market share and are expected to reach a market share of 63 percent (750,000 metric tons) in the 2003/04 year. The U.S. market share could be affected in 2005 by the ongoing Andean Community/Mercosur negotiations, which could reduce the duty for Argentine wheat starting July 1, 2004. Colombia has opened a tariff-rate quota for rice imports, but local contacts expect this to be filled with lower priced milled rice from Thailand.

The requirement to receive prior approval from the Ministry of Agriculture and purchase local production for imports of feed grains and rice expired on December 31, 2003 and the replacement system was put in place on February 16, 2004. The new system is a tariff-rate quota, with the in-quota amount auctioned off based on the commitment of importers to purchase local production. The out-of-quota duty is the Andean price band duty for corn and grain sorghum (currently 8 percent) and 80 percent for rice (the duty was increased from 20 percent in December 2003). The current tariff-rate quota for corn is 1.9 million tons and for paddy rice or its milled equivalent is 75,118 tons. Total corn imports are expected to reach 2.15 million tons (1.75 million metric tons from the U.S.) and wheat imports 1.24 million tons (750,000 tons from the U.S.) in the 2003/04 marketing year. Wheat was excluded from this new mechanism and continues to pay the duty calculated under the Andean Price Band system (the current Andean price band duty is available at the web page of the Andean Community http://www.comunidadandina.org/politicas/franja_circular.htm).

Over the longer run, imports of corn, wheat and rice are expected to grow significantly under the proposed free trade agreement between the U.S. and Colombia. Negotiations will start in the second quarter of 2004. Preliminary estimates indicate that imports of corn could grow to as much as 4 to 5 million tons over the next ten years under a free trade agreement, depending on the terms of the agreement and economic growth.

Production

Corn production is increasing due to new areas entering into production mainly in the coffee region, where the Colombian Government has encouraged planting corn as a cover crop during replanting and pruning of coffee plantations. Local corn prices are supported by the duty reductions given to importers who purchase local production and production is financed through the government agricultural finance institute, FINAGRO. Current producer prices are approximately US\$160 per ton.

Rice production is expected to increase 1.3 percent to 1.38 million metric tons (milled basis) in 2004. The growth reflects the continued high level of protection for the domestic industry. While the requirement to have government approval for imports was removed, the relatively small tariff-rate quota and high out-of-quota duty (80 percent) continue to guarantee a high level of protection for the domestic industry.

Wheat production is marginal in Colombia and is expected to maintain the level of 32,000 tons in the 2003/04 marketing year. Low quality wheat and limited areas to expand production mean that little increase in area is expected in the future. The industry has been encouraging producers to move to alternative crops. The wheat duty is currently zero under the price band system, so there is little incentive to plant new areas.

Consumption

Corn consumption is expected to grow 6.4 percent in 2003/2004 and a further 4.5 percent in 2004/2005. Stronger economic growth has resulted in an increase in demand for use for human consumption (the main market for the local crop due to high quality and better prices) and rising demand in the feed industry for sales to the growing poultry sector.

Rice consumption is estimated to increase two percent in 2004. In spite of the economic growth, consumption is weak due to high local prices. Import restrictions have kept prices at very high levels.

Wheat consumption is expected to grow six percent during the next two years due to increasing consumption of pasta.

Trade

Corn imports are expected to increase by two percent to 2.15 million metric tons during 2003/04 and 4.7 percent to 2.25 million metric tons in the 2004/05 marketing year. Increases in local production are devoted to human consumption, so the feed industry depends heavily on imports. The U.S. share of imports is 77 percent (1.61 Million MT) of the total import market of 2.10 Million MT. The U.S. share is expected to increase this year as lower freight costs from the U.S. compensate for lower duties charged for imports from Mercosur countries. The preference given to Mercosur imports could increase under a trade agreement currently under negotiation between the Andean Community and Mercosur.

Rice imports are estimated at 105,000 metric tons (milled basis) during 2004 year. This reflects both official imports (under the tariff-rate quota established for this year) and illegal cross border trade with Venezuela and Ecuador. Imports from the U.S. are not expected due to the low price for milled rice from Thailand

Wheat imports are increasing, with imports from the U.S. benefiting from lower prices relative to Canadian wheat. The U.S. share could benefit from new investments in technology and additional training in handling. The trade agreement currently under negotiation between the Andean Community and Mercosur could result in lower duties for imports from Argentina starting July 1, 2004. The current duty for wheat imports under the variable Andean price band duty is zero.

Stocks

Corn stocks are expected to remain at approximately one month of consumption.

Rice stocks held by the industry at the end of year are calculated at 175,000 metric tons (milled basis), representing about 40 days of consumption. The Colombian Government provides storage payments to even out supplies to the market and support prices during peak production periods.

Wheat stocks will represent 40 days of total consumption during 2003/04 marketing year. The industry is taking advantage of a stronger peso to increase stocks.

Policy

The requirement to receive prior approval from the Ministry of Agriculture and purchase local production for imports of feed grains and rice expired on December 31, 2003 and the replacement system was put in place on February 16, 2004. The prior system was maintained under a WTO waiver that expired at the end of 2003. The new system is a tariff-

rate quota, with the in-quota amount auctioned off based on the commitment of importers to purchase local production. The out-of-quota duty is the higher of either 5 percent or the Andean price band duty. Currently, the duty for yellow corn and grain sorghum is 8 percent, for white corn 5 percent (the Andean band duty is 3 percent) and 80 percent for rice (the duty was increased from 20 percent in December 2003). The current tariff-rate quota for corn is 1.9 million tons and for paddy rice or its milled equivalent is 75,118 tons. Total corn imports are expected to reach 2.15 million tons (1.75 million metric tons from the U.S.) and wheat imports 1.24 million tons (750,000 tons from the U.S.) in the 2003/04 marketing year. Wheat was excluded from this new mechanism and continues to pay the duty calculated under the Andean Price Band system (the current Andean price band duty is available at the web page of the Andean Community http://www.comunidadandina.org/politicas/franja_circular.htm).

Over the longer run, imports of corn, wheat and rice are expected to grow significantly under the proposed free trade agreement between the U.S. and Colombia. Negotiations will start in the second quarter of 2004. Preliminary estimates indicate that imports of corn could grow to as much as 4 to 5 million tons over the next ten years under a free trade agreement, depending on the terms of the agreement and economic growth.

Tables

Colombia wheat PSD, 2002/03 – 2004/05 (July-June)

(1,000 Hectares and 1,000 Tons.)

| Colombia | | | | | | | |
|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
| Wheat | | | | | | | |
| | 2002 | Revised | 2003 | Estimate | 2004 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 07/2002 | | 07/2003 | | 07/2004 | MM/YYYY |
| Area Harvested | 15 | 15 | 15 | 15 | 0 | 15 | (1000 HA) |
| Beginning Stocks | 125 | 125 | 119 | 137 | 119 | 139 | (1000 MT) |
| Production | 32 | 32 | 32 | 32 | 0 | 33 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 1166 | 1180 | 1100 | 1240 | 0 | 1290 | (1000 MT) |
| Jul-Jun Imports | 1166 | 1180 | 1100 | 1240 | 0 | 1290 | (1000 MT) |
| Jul-Jun Import U.S. | 737 | 767 | 0 | 780 | 0 | 790 | (1000 MT) |
| TOTAL SUPPLY | 1323 | 1337 | 1251 | 1409 | 119 | 1462 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 27 | 0 | 5 | 0 | 0 | 0 | (1000 MT) |
| Jul-Jun Exports | 27 | 0 | 5 | 0 | 0 | 0 | (1000 MT) |
| Feed Dom. Consumption | 20 | 20 | 20 | 10 | 0 | 5 | (1000 MT) |
| TOTAL Dom. Consumption | 1177 | 1200 | 1127 | 1270 | 0 | 1345 | (1000 MT) |
| Ending Stocks | 119 | 137 | 119 | 139 | 0 | 117 | (1000 MT) |
| TOTAL DISTRIBUTION | 1323 | 1337 | 1251 | 1409 | 0 | 1462 | (1000 MT) |

Colombia: Wheat Imports 2002/03 (July-June)

| Import Trade Matrix Colombia Wheat | | | |
|--|-----------|--------|---------|
| Time Period | July-June | Units: | 1,000MT |
| Imports for: | 2002/03 | | |
| U.S. | 767 | U.S. | |
| Others | | Others | |
| Canada | 256 | | |
| Australia | 76 | | |
| Kazakhstan | 44 | | |
| Argentina | 32 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 408 | | 0 |
| Others not Listed | 3 | | |
| Grand Total | 1178 | | 0 |

Source: Colombian Custom Agency (DIAN)

Colombia: Wheat Prices to Grower, 2002 – 2003
(1,000 pesos per Ton)

| Prices Table Colombia Wheat | | | |
|---|----------------|-------------------------|----------|
| Prices in | Pesos (,000) | per uom | Ton |
| | | | |
| Year | 2002 | 2003 | % Change |
| Jan | 466 | 560 | 20% |
| Feb | 466 | 560 | 20% |
| Mar | 466 | 560 | 20% |
| Apr | 466 | 560 | 20% |
| May | 466 | 560 | 20% |
| Jun | 466 | 560 | 20% |
| Jul | 466 | 560 | 20% |
| Aug | 466 | 560 | 20% |
| Sep | 466 | 560 | 20% |
| Oct | 466 | 560 | 20% |
| Nov | 466 | 560 | 20% |
| Dec | 466 | 560 | 20% |
| | | | |
| Average Exchange Rate Year 2002 Year 2003 | 2,506 2,878 | Local Currency/US \$ | |

Source: National Cereal Association (FENALCE)

Colombia: Corn PSD, 2002/03 to 2004/05 (October-September)
 (1,000 Hectares and 1,000 Tons)

| Colombia | | | | | | | |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
| Corn | | | | | | | |
| | 2002 | Revised | 2003 | Estimate | 2004 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 10/2002 | | 10/2003 | | 10/2004 | MM/YYYY |
| Area Harvested | 553 | 553 | 565 | 565 | 0 | 580 | (1000 HA) |
| Beginning Stocks | 142 | 139 | 287 | 271 | 232 | 296 | (1000 MT) |
| Production | 1145 | 1145 | 1195 | 1195 | 0 | 1225 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 2100 | 2107 | 2000 | 2150 | 0 | 2250 | (1000 MT) |
| Oct-Sep Imports | 2100 | 2107 | 2000 | 2150 | 0 | 2250 | (1000 MT) |
| Oct-Sep Import U.S. | 1607 | 1615 | 0 | 1750 | 0 | 1900 | (1000 MT) |
| TOTAL SUPPLY | 3387 | 3391 | 3482 | 3616 | 232 | 3771 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Oct-Sep Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Feed Dom. Consumption | 1850 | 1920 | 2000 | 2015 | 0 | 2065 | (1000 MT) |
| TOTAL Dom. Consumption | 3100 | 3120 | 3250 | 3320 | 0 | 3470 | (1000 MT) |
| Ending Stocks | 287 | 271 | 232 | 296 | 0 | 301 | (1000 MT) |
| TOTAL DISTRIBUTION | 3387 | 3391 | 3482 | 3616 | 0 | 3771 | (1000 MT) |

Colombia: Corn Imports, 2002/03 (October-September)

| Import Trade Matrix Colombia Corn | | | |
|---|----------|--------|---------|
| Time Period | Oct-sept | Units: | 1,000MT |
| Imports for: | 2002/03 | | |
| U.S. | 1615 | U.S. | |
| Others | | Others | |
| Argentina | 412 | | |
| Ecuador | 63 | | |
| Venezuela | 16 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 491 | | 0 |
| Others not Listed | 1 | | |
| Grand Total | 2107 | | 0 |

Source: Colombian Custom Agency (DIAN)

Colombia: Corn Prices to Grower, 2002-2003
(1,000 pesos per Ton)

| Prices Table Colombia Corn | | | |
|----------------------------------|-----------|----------------|----------|
| Prices in | Col Pesos | per uom | 1,000 MT |
| | | | |
| Year | 2002 | 2003 | % Change |
| Jan | 402 | 541 | 35% |
| Feb | 460 | 536 | 17% |
| Mar | 461 | 535 | 16% |
| Apr | 485 | 510 | 5% |
| May | 473 | 560 | 18% |
| Jun | 440 | 571 | 30% |
| Jul | 447 | 522 | 17% |
| Aug | 434 | 515 | 19% |
| Sep | 462 | 502 | 9% |
| Oct | 449 | 478 | 6% |
| Nov | 497 | 490 | -1% |
| Dec | 533 | 431 | -19% |
| | | | |
| Average Exchange Rate | | | |
| Year 2002 | 2,506 | Local | |
| Year 2003 | 2,878 | Currency/US \$ | |

Source: National Agricultural Commodity Exchange (Bolsa Nacional Agropecuaria)

Colombia: Milled Rice PSD, 2002 to 2004

(1,000 Hectares and 1,000 Tons)

| Colombia | | | | | | | |
|-------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------|
| Rice, Milled | | | | | | | |
| | 2002 | Revised | 2003 | Estimate | 2004 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 01/2002 | | 01/2003 | | 01/2004 | MM/YYYY |
| Area Harvested | 450 | 450 | 455 | 480 | 0 | 490 | (1000 HA) |
| Beginning Stocks | 265 | 143 | 146 | 118 | 86 | 130 | (1000 MT) |
| Milled Production | 1300 | 1300 | 1320 | 1367 | 0 | 1385 | (1000 MT) |
| Rough Production | 2167 | 2167 | 2200 | 2278 | 0 | 2308 | (1000 MT) |
| MILLING RATE (.9999) | 6000 | 6000 | 6000 | 6000 | 0 | 6000 | (1000 MT) |
| TOTAL Imports | 31 | 75 | 75 | 60 | 0 | 105 | (1000 MT) |
| Jan-Dec Imports | 75 | 75 | 90 | 60 | 0 | 105 | (1000 MT) |
| Jan-Dec Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 1596 | 1518 | 1541 | 1545 | 86 | 1620 | (1000 MT) |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jan-Dec Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL Dom. Consumption | 1450 | 1400 | 1455 | 1415 | 0 | 1445 | (1000 MT) |
| Ending Stocks | 146 | 118 | 86 | 130 | 0 | 175 | (1000 MT) |
| TOTAL DISTRIBUTION | 1596 | 1518 | 1541 | 1545 | 0 | 1620 | (1000 MT) |

Colombia: Rice Imports, 2003 (January-November)

| Import Trade Matrix Colombia Rice, Milled | | | |
|--|---------|--------|----------|
| Time Period | Jan-Nov | Units: | 1,000 MT |
| Imports for: | 2003 | | 2004 |
| U.S. | | U.S. | |
| Others | | Others | |
| Ecuador | 45 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 45 | | 0 |
| Others not Listed | | | |
| Grand Total | 45 | | 0 |

Source: Colombian Custom Agency (DIAN)

Colombia: Rice Price to Millers, 2002-2003
(1,000 pesos per Ton)

| Prices Table Colombia Rice, Milled | | | |
|--|-----------|----------------------|----------|
| Prices in | Col pesos | per uom | 1,000MT |
| Year | 2002 | 2003 | % Change |
| Jan | 944 | 1042 | 10% |
| Feb | 945 | 1093 | 16% |
| Mar | 948 | 1122 | 18% |
| Apr | 969 | 1130 | 17% |
| May | 1020 | 1126 | 10% |
| Jun | 1035 | 1131 | 9% |
| Jul | 1032 | 1146 | 11% |
| Aug | 997 | 1107 | 11% |
| Sep | 966 | 1071 | 11% |
| Oct | 947 | 1092 | 15% |
| Nov | 959 | 1138 | 19% |
| Dec | 1000 | | -100% |
| | | | |
| Average Exchange Rate | | | |
| Year 2002 | 2,506 | Local Currency/US \$ | |
| Year 2003 | 2,878 | | |
| Date of Quote | | MM/DD/YYYY | |

Source: National Growers Association (FEDEARROZ)